

**STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE**

**BULLETIN 95-5**

**Issued this 28th day of  
August, 1995**

**TO: MINNESOTA WORKERS' COMPENSATION INSURERS**

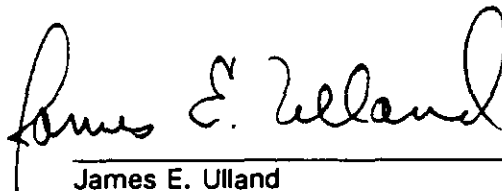
This bulletin is intended to provide some guidance for workers' compensation insurers doing business in Minnesota. As you may know the 1995 legislative session produced a major workers' compensation reform bill that among other things encompassed both benefit and rating law changes.

The following seven (7) sections and two (2) forms are designed to make it possible, if an insurer so chooses, to have a rate filing(s) prior to January 1, 1996. Such a filing would have the positive outcome of allowing an insurer to avoid the uncertain effects of the new rating law, while at the same time provide the consumer with the benefit of the legislation at the earliest possible opportunity.

1. For rates and rating plans filed before January 1, 1996, and effective on or before January 1, 1996, insurers will remain subject to the current Minnesota use-and-file law, under which they must file their rates within 15 days after the effective date of those rates. The provision in Chapter 231, Article 1, section 9 (amending Minn. Stat. §79.56) that rates must be filed 90 days prior to their effective date during the time period from August 1, 1995, to December 31, 1995, does not become effective until January 1, 1996 (Chapter 231, Article 1, section 37). Thus the Commerce Department does not view this requirement as binding upon insurers and will not require a 90-day waiting period.
2. Companies will not become subject to Chapter 231, Article 1, sections 1 to 11, of the law until they file a new rate or rating plan with an effective date after January 1, 1996. In particular, companies may continue to use their current merit rating plans until they file a new rate or rating plan effective after January 1, 1996. The filing of rate or rating plan changes with an effective date on or before January 1, 1996, will not restrict current merit rating plans. Once the insurer files a revised schedule of rates effective after January 1, 1996, the provisions of Article 1, sections 1 to 11, will apply to those revised rates.

3. All companies must reduce their rates to offset the inclusion of vacation, holiday and sick pay wages in the exposure base for premium calculations. This rate reduction must take place at exactly the same time that a company begins including vacation, holiday and sick pay in its exposure base, so that the overall premium change is revenue neutral. The Minnesota Workers' Compensation Insurers Association, Inc. has filed and the Department has approved changes in the pure premium rates which the Department has determined will meet this revenue neutral goal. A company at its option may file its new rates to be effective along with the simultaneous adjustment to the wage base on either new and renewal business only or new, renewal and in-force business. Whichever option it chooses, the change in rates must be simultaneous with the change in wage base so that the overall effect is revenue neutral. The pro-rata portions of in-force policies must be rated using rates consistent with wage bases—either rates and wage bases both adjusted or both unadjusted—so that the addition of vacation, holiday and sick pay wages does not increase premiums at final audit relative to what premiums would have been in the absence of the wage-base change. If a company intends to amend its current schedule of rates prior to January 1, 1996, to reflect only this wage-base change in the law, the company should file this change by November 1, 1995, with an effective date by January 1, 1996.
4. If a company intends to amend its current schedule of rates prior to January 1, 1996, to reflect wage-base changes plus other changes in loss experience or benefit levels arising from the 1995 legislation or other factors, the company can elect to delay filing of its revised rates due to the wage-base law change and include the wage-base rate change as part of its more comprehensive experience and benefit level rate changes. These more comprehensive rate level changes may be filed consistent with the current use-and-file law before January 1, 1996, with an effective date on or before January 1, 1996. A company choosing this option of making a single rate filing before January 1, 1996, must notify the Commerce Department by November 1, 1995, indicating that the company is electing this option and that the rate adjustment to reflect the wage-base change will be incorporated within the company's more comprehensive rate adjustment reflecting experience and benefit changes which will be made by year-end. Companies should use Minnesota Form WC-1995-1 (attached) for this notification. Choosing this option does not relieve companies of the requirement that the changes in rates and wage base to reflect the inclusion of vacation, holiday and sick leave are to be done simultaneously so as to be revenue neutral. The Commerce Department anticipates that the benefit and experience changes will generally reduce premiums. Companies are encouraged, but not required, to file benefit and experience changes at the same time as wage-base changes to reflect these reductions and to avoid confusion and unnecessary multiple filings.

5. A company that chooses not to amend its rates by January 1, 1996, to reflect the reduction in loss costs due to the benefit changes in the new law must notify the Commerce Department by January 1, 1996, that it has chosen not to reflect the benefit reductions in its pricing before January 1, 1996. Companies should use Minnesota Form WC-1995-2 (attached) for this notification. Thus by January 1, 1996, every insurer licensed to write workers' compensation insurance in the State of Minnesota must both:
  - a. adjust its rates to offset the change to the wage base for the inclusion of vacation, holiday and sick pay, and
  - b. either amend its rates to reflect benefit changes or notify the Department of Commerce that it does not intend to amend its rates during 1995 to reflect benefit changes.
6. Chapter 231, Article 1, section 7 (new Minn. Stat. §79.55) sets forth new rating factors related to profit and expense allowance in company filed rates which will apply to rates filed after January 1, 1996. Companies should routinely analyze their profit and expense allowance as part of their business planning, and they should be prepared to provide that analysis as part of their support for rate filings. Companies will not be required to follow a prescribed format unless the Commerce Department has identified a potential problem.
7. The eligibility for exemption that applies to "an employer that generates \$500,000 in annual written workers' compensation premium" will be determined by all workers' compensation premium written on the policy in the State of Minnesota.

A handwritten signature in black ink, reading "James E. Ulland". The signature is written in a cursive, flowing style. The first name "James" is written with a large, prominent "J". The last name "Ulland" is written with a large, prominent "U". The signature is positioned above a horizontal line.

James E. Ulland  
Commissioner of Commerce

Minnesota Form WC-1995-1

This form must be completed by all insurers licensed to write workers' compensation insurance in Minnesota that do not file by November 1, 1995, an amendment to their schedule of rates to offset the inclusion of vacation, holiday and sick pay in the wage base for the determination of workers' compensation premiums. The Department of Commerce must receive this completed form by November 1, 1995.

Mail completed form to: Mary Lou Houde  
Minnesota Department of Commerce  
133 East Seventh Street  
St. Paul MN 55101

Company name \_\_\_\_\_ (the "Company")  
NAIC number \_\_\_\_\_ Fax number \_\_\_\_\_

Company address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. ☐ if the Company has no filed schedule of rates in Minnesota, check this box (number 1) and skip items 2, 3 and 4.

Unless box number 1 is checked, the Company will file, before January 1, 1996, a comprehensive workers' compensation rate change which will amend the Company's schedule of rates to offset the inclusion of vacation, holiday and sick pay in the wage base for the determination of workers' compensation premiums. This filing will also include the following adjustments to rates (check all boxes that apply; at least one box must be checked):

2. ☐ adjustments to reflect statutory benefit changes made during the 1995 session of the Minnesota legislature
3. ☐ adjustments to reflect changes based on an analysis of the Company's experience or on the experience of the workers' compensation industry in Minnesota
4. ☐ other adjustments: (Provide brief explanation; include details with filing)

\_\_\_\_\_  
\_\_\_\_\_

This Form WC-1995-1 is being filed on behalf of the Company by:

Signed \_\_\_\_\_ Date \_\_\_\_\_

Print name of signer \_\_\_\_\_

Title of signer \_\_\_\_\_

Contact person at Company \_\_\_\_\_

Telephone number of Company contact person \_\_\_\_\_

Minnesota Form WC-1995-2

This form must be completed by all insurers licensed to write workers' compensation insurance in Minnesota that do not file by January 1, 1996, an amendment to their schedule of rates to reflect the benefit changes made during the 1995 session of the Minnesota legislature. The Department of Commerce must receive this completed form by January 1, 1996.

Mail completed form to: Mary Lou Houde  
Minnesota Department of Commerce  
133 East Seventh Street  
St. Paul MN 55101

Company name \_\_\_\_\_ (the "Company")

NAIC number \_\_\_\_\_ Fax number \_\_\_\_\_

Company address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

☐ If the Company has no filed schedule of rates in Minnesota, check this box.

The Company chooses not to adjust its filed schedule of rates before January 1, 1996, to reflect workers' compensation benefit changes made by the Minnesota legislature during its 1995 session.

This Form WC-1995-2 is being filed on behalf of the Company by:

Signed \_\_\_\_\_ Date \_\_\_\_\_

Print Name of signer \_\_\_\_\_

Title of signer \_\_\_\_\_

Contact person at Company \_\_\_\_\_

Telephone number of Company contact person \_\_\_\_\_